

COMMUNITY REVIEW MEETING

DISTRIBUTED GENERATION-LONG TERM CONTRACTS CEILING PRICES FOR 2013

Wednesday November 7, 2012

2 PM-4 PM

Narragansett Room

RI Economic Development Corporation

315 Iron Horse Way

Providence, RI

MINUTES

Attendees: Julian Dash, Ian Springsteel, Chris Kearns, Bill Ferguson, Michelle Mulcahy, Stephen Wollenberg, Bob Grace, Jason Gifford, Seth Handy, Ken Payne, Fred Unger, Tony Callendrello, Jaime Fordyce, Mitchell Jacobs, Larry Dressler, Dennis McCarthy, Alan Clapp, Nils Behn, Robert Nicholson, Palmer Moore, Bruce DiGennaro, Jon Hagopian, Bob Chew, Vito Buomono, Tim Hetland, Eric Offenbergl, Scott Miles, Hannah Morini, Dan Richardson, Peter Lacouture, Alan Shoer, Fran Epps, Charity Pennock, and Charles Hawkins

OER's Chris Kearns opened the meeting at 2:00 PM. The goal of the meeting is to have Bob G. & Jason G. go over the changes in the

initial assumptions from the draft 2013 renewable energy (RE) ceiling prices presented at the October 18th meeting. These adjustments are a result of feedback received from stakeholders. Solar, wind, anaerobic digestion (AD), and hydro will be discussed.

Tony C. asked about the process going forward. Chris K. that they would take the second round of comments and then finalize the final rules with a public hearing anticipated in late November followed by a filing with the Public Utilities Commission (PUC). Chris K. also said that the new rules and regulations for the Renewable Energy Fund will be going to public hearing in December.

Jason G. was then introduced to give a slide presentation. Items highlighted in green were adjustments to the initial draft. There could be more changes before the final draft. The slides were e-mailed to stakeholders before the meeting.

Bob C. wanted to know why there was a gap between the 100KW class for wind and the next lowest. Vito B. asked if there was going to be any solar under 50KW. Jason G. said that the program starts at 50KW. It was noted that the gap between 90 KW & 100 KW was very tight. It was noted that it was very specific to one kind of turbine.

Jason G. said the prices are lower than in 2012 but higher in general than those presented in the first draft. He then explained the solar price slides. They were using 90% of the ITC as an assumption.

Capitol cost was the category that had the most written comments and where the clearest suggestions for changes in assumptions were made. Property taxes were another area where the methodology was updated across the board. They used 90% instead of 95% declining at a rate of 5% a year.

Michele M. said that she commented on the capacity factor but there was no change. She feels the level is too high, especially for small solar. Seth H. asked what the rationale was for not changing the capacity assumption. Jamie B. said that he provide capacity data from actual projects he has completed, that do not even come close to the capacity factor noted, but this data was not included. Bob G. said the prices are closer to optimal than average because they want to capture the best projects that are feasible.

Vito B. asked about the 10-14% decrease in prices since 2012. Where is the industry data to support this? Jason G. said they are a result of the data requests from stakeholders and supplemented by Massachusetts SREC data base. Vito B. said that it only came from local and not national sources. Bob G. said that the number came from people in the room. Vito said that the cost of doing business is different in RI than in other states.

A question was asked about the interconnection assumption for large solar. It is

\$150 KW compared to the 2012 assumption of \$132. This number

came from data from NGrid and other stakeholders. Bob G. said that costs were benchmarked from Connecticut's ZREC Program which is very fresh data.

Because of time constraints Chris K. wanted to move to the wind prices. Few changes were made to wind prices from the draft. They made the capitol cost of wind the same as solar. There were no changes to the small wind assumptions. Bob C. felt that the capacity factor for the 100KW wind was too high. He thought 15-18% would be more reasonable.

Next, Jason G. presented slides on AD ceiling prices. A clarification from the draft is that Vermont standard offer, which RI prices were benchmarked to in the draft, lets generators keep the renewable energy credits (RECs). This needs to be considered when comparing the program to RI. Another change is now it is assumed that land is owned and not leased. They did not want to assume an O&M cost for land that is not leased. A wide range of assumptions were offered relating to tipping fees.

Tony C. said that the O&M price should be applied to the total KWs generated. Ian S. said that the price for installation is too high. Bob G. said they were doing a price for 500KW and that bigger projects with economy of scale would have lower install costs. Bob G. said that the higher costs reflect building in RI where there is less land. Ian S. urged the group to look for the best projects, not the ones that

are most costly.

Jason G. then moved on to the hydro slides. The object with hydro is not so much to set a ceiling price, as a chance to gather data and understand the potential cost for such projects in RI with an eye to informing further policy making. It is not practical to have a ceiling prices and a solicitation in 2013 because of the longer lead time.

The input on hydro indicated that it was more appropriate to look at royalties rather than land lease. Property taxes were treated the same as other technologies as were construction cost. It was brought up that hydro is site specific and it is fundamentally different that other RE with longer lead times and greater installed cost, but it last longer and has much greater production. The problem is that the fifteen year modeling in this program does not work because you don't get payback until after twenty years. The value is in a longer term investment. It is hard to make the numbers work in a fifteen year term without it being a burden on the ratepayers. Bob G. said that this is not really a hard ceiling price but the beginning of a process. But he said the law does state that the contact be for fifteen years. Chris K. said that this is just meant to begin the hydro discussion. Tony C. said that in a recent hydro project his company did the capitol cost were \$6,000 KW. He will provide data on this project that went on line in April 2011.

The meeting was then opened up for questions and comments on all

four technologies. Vito B. said that the cost of doing business in this program, based on all the paperwork required, far exceed private industry. He cited the fifteen page application that turns into a 200 page report. RI only requires a one pager to apply for a contractor's license. How can RI justify this burden on small business? They don't do this in Massachusetts.

Jason G. said he had a valid point about the paperwork but the corresponding value is the security of price stability. Vito B. sad that contractors should not have to justify the last ten projects they completed. Can this process be streamlined?

Ian S. of NGrid said his company is responsible for the application process and the law requires NGrid to separate the projects out by their ability to deliver on the contract in a eighteen month window. The application information is needed to score the projects. Tim H. said the contracting procedure in Vermont is a state mandated process that is not driven by utilities. That process is very streamlined and making it easy to get projects into that program. Chris K. said the process was to set ceiling prices; not discuss the content of the PUC approved application process. Bob G. said that these transaction cost were relevant to this discussion. Permitting also needs to be discussed.

Ken P. wanted to emphasize that the 2011 RE legislation is three distinct processes. The first is setting the ceiling prices, which is the object of this discussion. Another is the application process, under

PUC jurisdiction, which enables the sorting of projects in a timely manner. The third is the standard contract process. You need to keep these processes separate because the people involved in each are not the same.

Tim H. wanted to know how to contact NGrid about interconnect concerns, specifically why the process takes so long. He completed a project in August, paid the fees, and now it is November and he has yet to get approval. He has sent five e-mails to NGrid. He understands they have been busy with storms, but there is a bottleneck. It does not seem as if NGrid has enough people to handle the applications. He would like to have a separate meeting with contractors and NGrid on this issue. Ian S. said that NGrid wants this process to run smoothly but this is the first he has heard of these delays. Tim H. said that he did not even get an e-mail notification of this meeting. Chris K. said that if stakeholders have problems with interconnections, they should send him an e-mail and he will forward it to NGrid. Ian S. said that Corinne Abrams was the point person at NGrid for the application process for the DG Program.

Chris K. wanted to thank everyone for attending. There will be one final round of comments, which will close on Monday, for ceiling price assumptions. There will then be a public hearing before the PUC submission.

The meeting was adjourned at 3:50 PM.